

**SABAF<sup>®</sup>**

TECHNOLOGY AND SAFETY

*STAR CONFERENCE 2007*

*March 1st and 2nd*

*Milan*

# Sabaf and its sector - overview 2006



## Sales at € 138.3 mn - up by 14.3% thanks to:

- Developments towards new markets and customers
  - High growth in Turkey, Middle East, North Africa, South America
- Improved relations with some consolidated customers
- New products
  - Light alloy valves without FFD
  - Special hinge for Whirlpool US washing machine
- Good performance of the reference market compared to 2005
  - Strong recovery of Italian manufacturers exporting out of Europe
- Pricing / hedging strategy
  - Hedging on raw material made it possible to limit price increase

## EBIT at 39.2 mn - up by 20.4% thanks to:

- Improved customer mix
- New products
- Operational leverage

# Income statement



| €x 000                        | Q4 06         |               | Q4 05         |               | var. %       | FY 06          |               | FY 05          |               | chg %        |
|-------------------------------|---------------|---------------|---------------|---------------|--------------|----------------|---------------|----------------|---------------|--------------|
| <b>SALES</b>                  | <b>35,880</b> | <b>100.0%</b> | <b>33,397</b> | <b>100.0%</b> | <b>7.4%</b>  | <b>138,263</b> | <b>100.0%</b> | <b>121,014</b> | <b>100.0%</b> | <b>14.3%</b> |
| Materials                     | (14,469)      | -40.3%        | (12,434)      | -37.2%        |              | (57,794)       | -41.8%        | (46,722)       | -38.6%        |              |
| Payroll                       | (6,056)       | -16.9%        | (5,600)       | -16.8%        |              | (24,087)       | -17.4%        | (21,000)       | -17.4%        |              |
| Change in stock               | (197)         | -0.5%         | (292)         | -0.9%         |              | 5,410          | 3.9%          | (235)          | -0.2%         |              |
| Other operating costs/income  | (5,336)       | -14.9%        | (5,316)       | -15.9%        |              | (22,562)       | -16.3%        | (18,718)       | -15.5%        |              |
| <b>EBITDA</b>                 | <b>9,822</b>  | <b>27.4%</b>  | <b>9,755</b>  | <b>29.2%</b>  | <b>0.7%</b>  | <b>39,230</b>  | <b>28.4%</b>  | <b>34,339</b>  | <b>28.4%</b>  | <b>14.2%</b> |
| Depreciation                  | (2,714)       | -7.6%         | (2,872)       | -8.6%         |              | (11,018)       | -8.0%         | (11,006)       | -9.1%         |              |
| Gains/losses on fixed assets  | (4)           | 0.0%          | (4)           | 0.0%          |              | 29             | 0.0%          | 126            | 0.1%          |              |
| <b>EBIT</b>                   | <b>7,104</b>  | <b>19.8%</b>  | <b>6,879</b>  | <b>20.6%</b>  | <b>3.3%</b>  | <b>28,241</b>  | <b>20.4%</b>  | <b>23,459</b>  | <b>19.4%</b>  | <b>20.4%</b> |
| Net financial expense         | (196)         | -0.5%         | (364)         | -1.1%         |              | (788)          | -0.6%         | (853)          | -0.7%         |              |
| Foreign exchange gains/losses | (176)         | -0.5%         | 28            | 0.1%          |              | (369)          | -0.3%         | 535            | 0.4%          |              |
| <b>EBT</b>                    | <b>6,732</b>  | <b>18.8%</b>  | <b>6,543</b>  | <b>19.6%</b>  | <b>2.9%</b>  | <b>27,084</b>  | <b>19.6%</b>  | <b>23,141</b>  | <b>19.1%</b>  | <b>17.0%</b> |
| Income taxes                  | (2,788)       | -7.8%         | (2,546)       | -7.6%         |              | (11,006)       | -8.0%         | (9,188)        | -7.6%         |              |
| Minorities                    | 0             |               | 0             |               |              | 0              |               | 0              |               |              |
| <b>NET INCOME</b>             | <b>3,944</b>  | <b>11.0%</b>  | <b>3,997</b>  | <b>12.0%</b>  | <b>-1.3%</b> | <b>16,078</b>  | <b>11.6%</b>  | <b>13,953</b>  | <b>11.5%</b>  | <b>15.2%</b> |
| <b>EPS</b>                    | <b>0.342</b>  |               | <b>0.353</b>  |               | <b>-3.0%</b> | <b>1.394</b>   |               | <b>1.231</b>   |               | <b>13.2%</b> |

# Financial position

| <i>€ x 1000</i>                     | 31-Dec-06      | 30-Sep-06      | 31-Dec-05      |
|-------------------------------------|----------------|----------------|----------------|
| Fixed assets                        | 89,516         | 87,136         | 85,062         |
| Net working capital                 | 25,154         | 21,252         | 25,545         |
| Financial assets (*)                | 1              | 2,450          | 2,818          |
| <b>Capital Employed</b>             | <b>114,671</b> | <b>110,838</b> | <b>113,425</b> |
| Equity                              | 89,765         | 99,094         | 90,767         |
| Reserves for risks/net deferred tax | 13,525         | 14,136         | 13,730         |
| Net debt                            | 11,381         | (2,392 )       | 8,928          |
| <b>Sources of finance</b>           | <b>114,671</b> | <b>110,838</b> | <b>113,425</b> |

(\*) MTM on hedging financial instruments

# Cash flow statement



| € x 1000   | FY 06          | FY 05         |
|--|----------------|---------------|
| Net profit   | 16,078         | 13,953        |
| Depreciation   | 11,018         | 11,006        |
| Other non-monetary costs/income                          | (234)          | 1,796         |
| Change in inventory                                      | (5,368)        | 137           |
| Change in trade receivables                              | (2,740)        | (4,809)       |
| Change in trade payables                                 | 5,932          | 3,886         |
| Change in other current non financial assets/liabilities | 2,567          | (1,683)       |
| Change in net working capital                            | 391            | (2,469)       |
| <b>Operating cash flow</b>                               | <b>27,253</b>  | <b>24,286</b> |
| Investments, net of disposals                            | (15,481)       | (9,021)       |
| <b>Free cash flow</b>                                    | <b>11,772</b>  | <b>15,265</b> |
| Change in long-term financial assets/liabilities         | (327)          | (9,103)       |
| Dividends  | (18,325)       | (5,434)       |
| Other changes in equity                                  | 1,246          | 2,037         |
| <b>Cash flow</b>   | <b>(5,634)</b> | <b>2,765</b>  |

# Special dividend



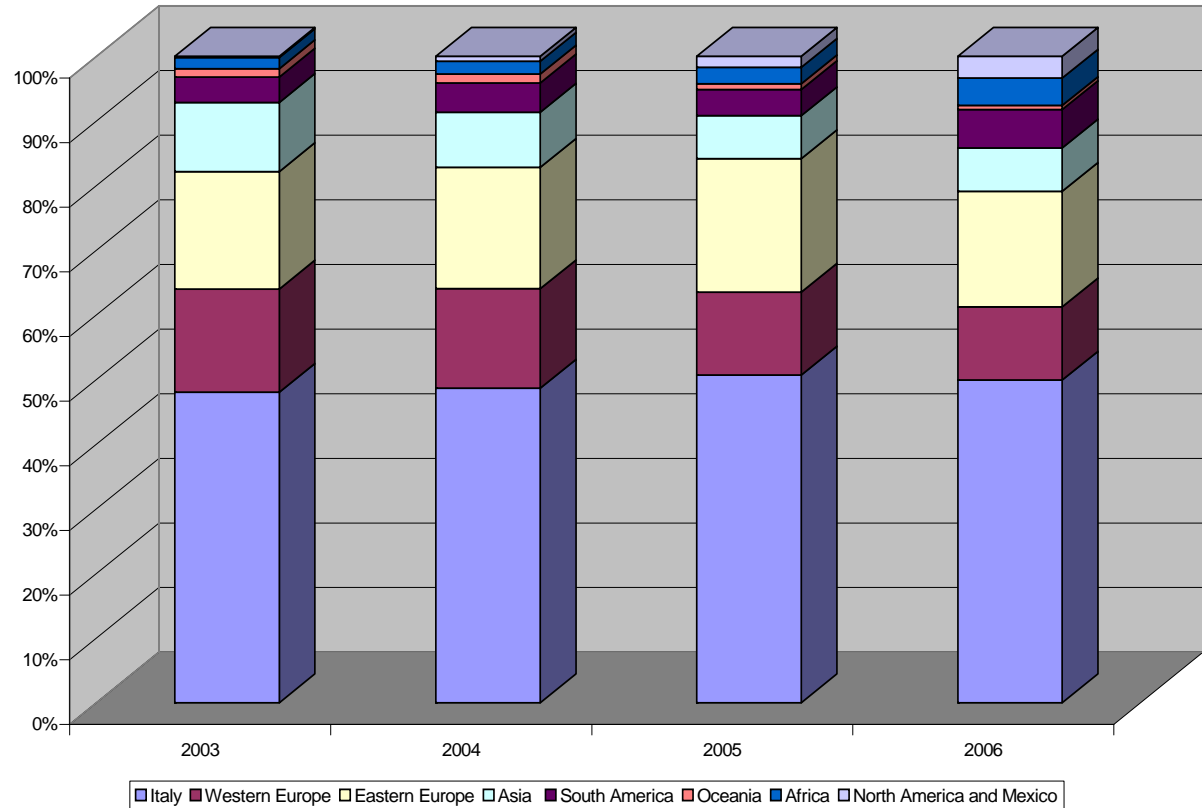
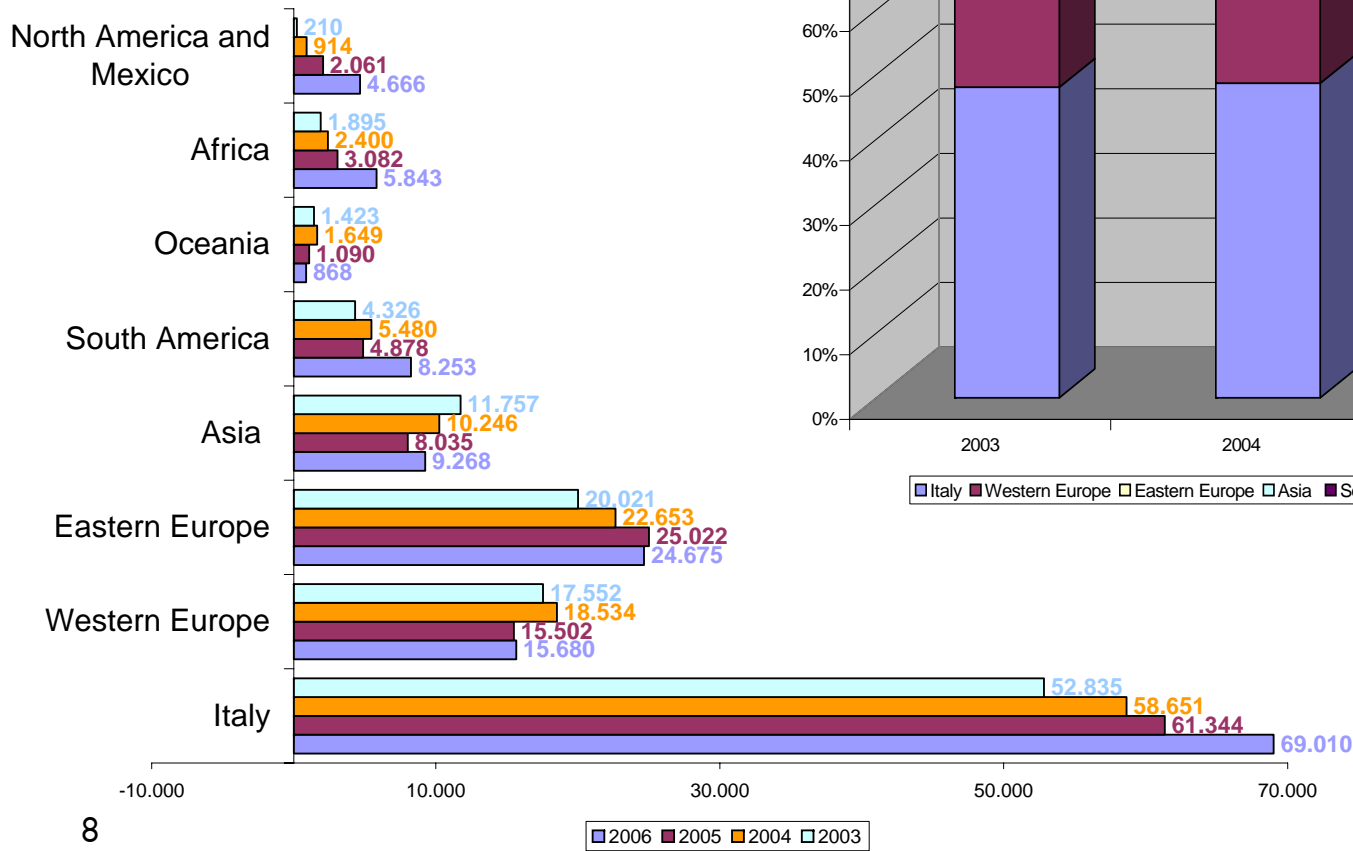
- € 1 per share paid on November 6th
- Made possible by strong free cash flow generation during 2005 and 2006
- Partial re-balance of financial structure to reduce average cost of capital
- No change in strategies, open even to acquisitions

# Sales by area

| <u>Area</u>        | <u>FY 06</u>   |               | <u>FY 05</u>   |               | <u>CHG</u>     |
|--------------------|----------------|---------------|----------------|---------------|----------------|
| ITALY              | 69,010         | 49.9%         | 61,344         | 50.7%         | + 12.5%        |
| W. EUROPE          | 15,680         | 11.3%         | 15,502         | 12.8%         | + 1.1%         |
| E. EUROPE & TURKEY | 24,675         | 17.8%         | 25,022         | 20.7%         | - 1.4%         |
| ASIA               | 9,268          | 6.7%          | 8,035          | 6.6%          | + 15.3%        |
| SOUTH AMERICA      | 8,253          | 6.0%          | 4,878          | 4.0%          | + 69.2%        |
| AFRICA             | 5,843          | 4.2%          | 3,082          | 2.5%          | + 89.6%        |
| NORTH AMERICA      | 4,666          | 3.4%          | 2,061          | 1.7%          | + 126.4%       |
| OCEANIA            | 868            | 0.6%          | 1,090          | 0.9%          | - 20.4%        |
| <b>TOTAL SALES</b> | <b>138,263</b> | <b>100.0%</b> | <b>121,014</b> | <b>100.0%</b> | <b>+ 14.3%</b> |
|                    | <b>28,898</b>  | <b>20.9%</b>  | <b>19,146</b>  | <b>15.8%</b>  | <b>+ 50.9%</b> |

|                      | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| first 10 customers   | 47%         | 52%         | 53%         | 54%         | 56%         |
| 7 first 20 customers | 67%         | 71%         | 70%         | 71%         | 74%         |

# Sales by area





# Mid-term strategic lines of development



## TURKEY

- Turkey might become the largest European appliance manufacturer
- Sales at € 12.5 mn in 2006, up by 32% (second market, after Italy)
- Relationships with Arcelik and Vestel are going on as expected

## US

- The agreement with Whirlpool to supply hinges for washing machines represents the first important order from one of the American big players
- New projects with Whirlpool in gas components
- Start-up of production in Mexico (2007) will open new opportunities

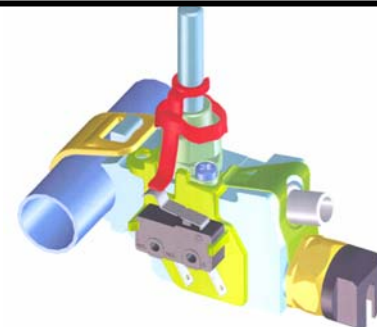
## SOUTH AMERICA

- Sales at € 8.3 mn in 2006, up by 69%
- New plant in Brasil starting from Spring 2007
- Special products (valves and burners) to enter the mass market

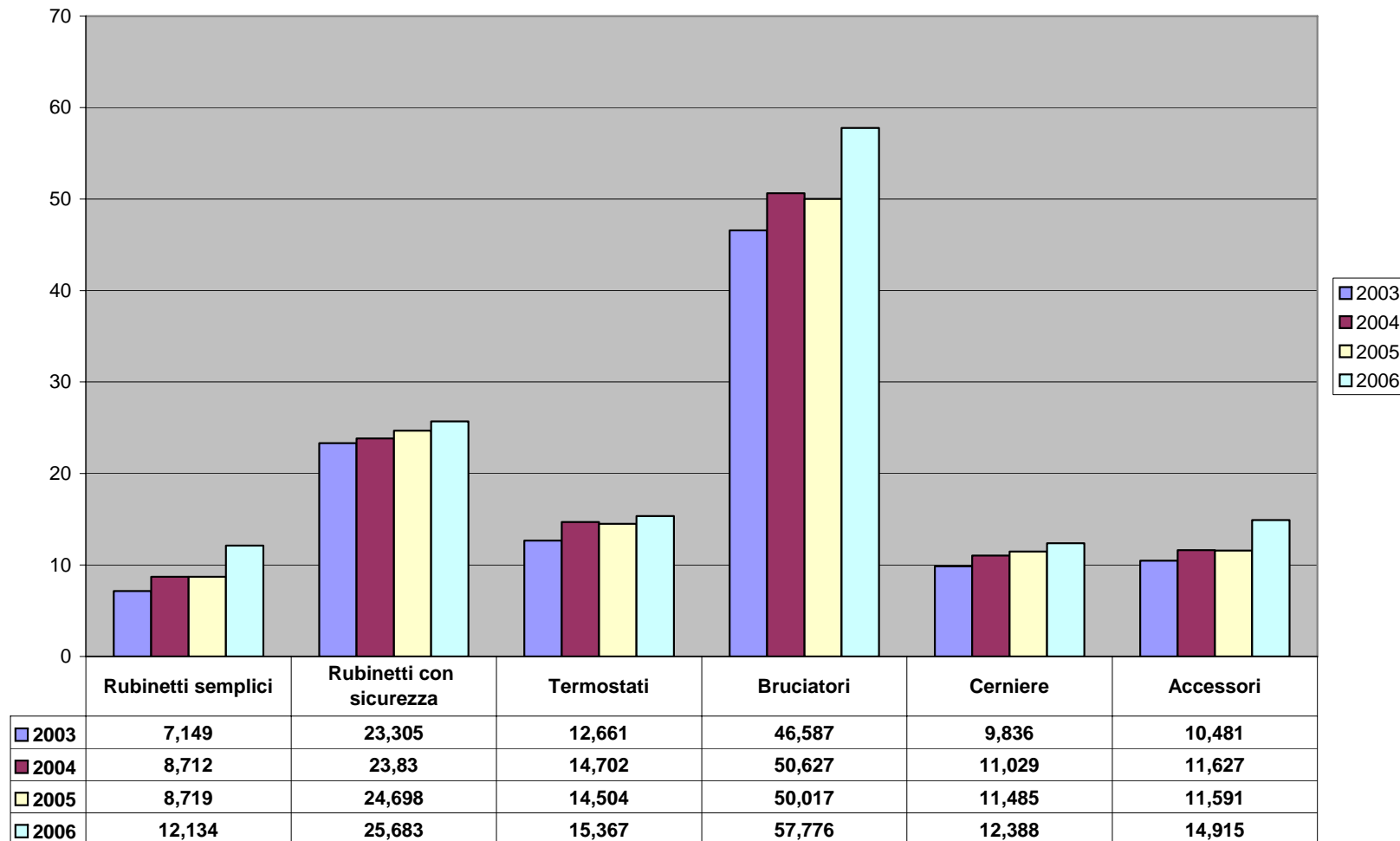
# Light alloy valves



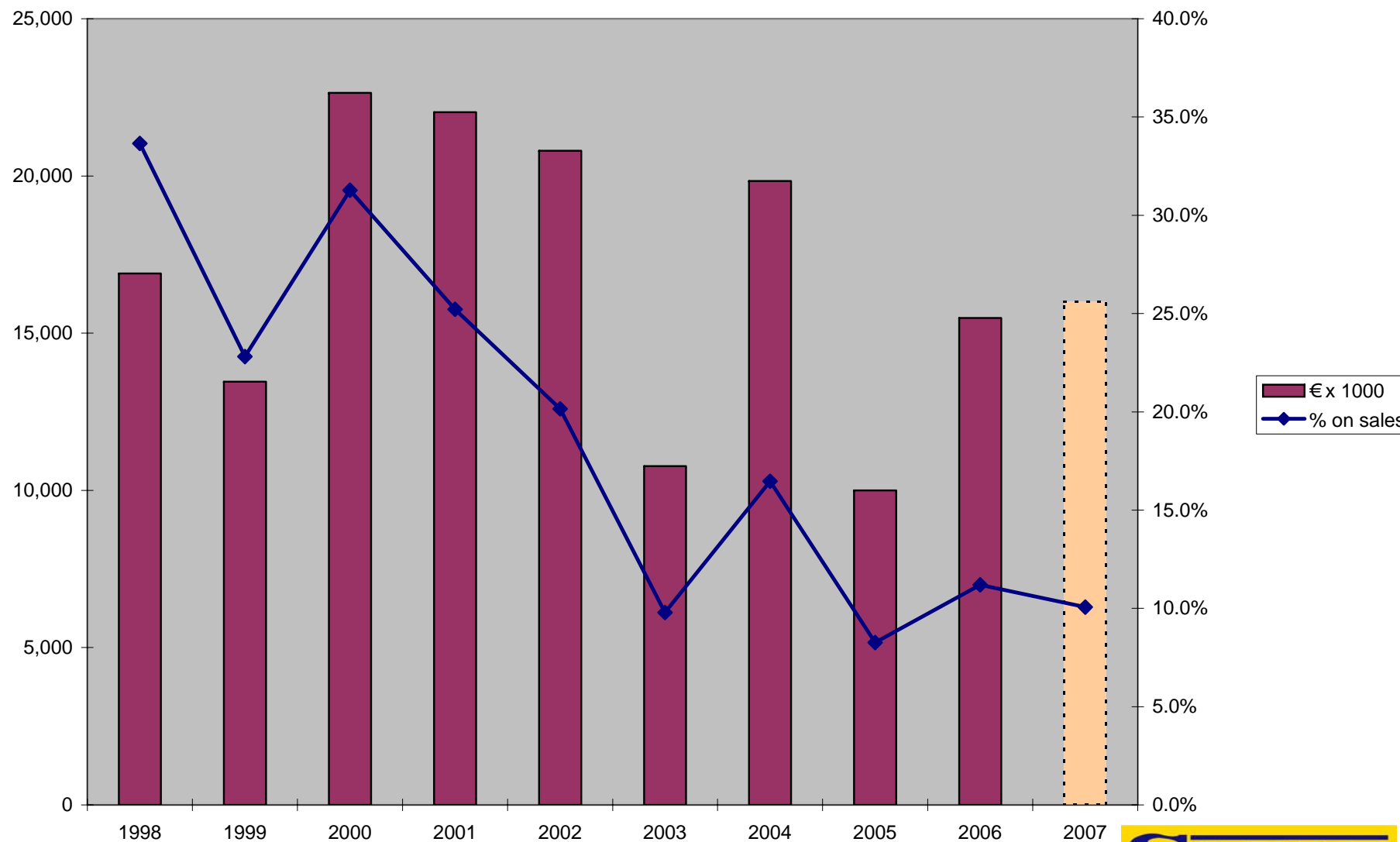
|  | Brass valves | Aluminium alloy valves  |
|--|--------------|---|
| <i>Product performance</i>                 |              | progressive flow rate   |
| <i>Production process</i>                  |              | Hot pressing eliminated<br>Sophisticated machining technology<br>Higher process rhythm in high value operations |
| <i>Weight of finished product (g) *</i>    | 73.2         | 31.1  |
| <i>Raw material price Jan 04 to Dec 06</i> | +230%        | +50%  |
| <i>Lead content (g) *</i>                  | 2.24         | 0.30  |
| <i>Energy content (kwh/unit) *</i>         | 0.303        | 0.218   |



# Sales by product category



# Capex 1998-2007e



# Forecasts 2007



- Sales +15%
  - Half price effect
  - Half volumes effect
- EBIT at 19%
  - We did pass through into selling prices most of, but not all, the effect of raw material cost increase
  - Start-up costs for the production of FFD light alloy valves
- Capex at about EUR16 mn
  - Production lines for FFD light alloy valves for cookers and for hobs
  - New plant in Brazil, doubled production capacity and further in-house of production (burners)

# Disclaimer



Certain information included in this document is forward looking and is subject to important risks and uncertainties that could cause actual results to differ materially. The Company's business is in the domestic appliance industry, with special reference to the gas cooking sector, and its outlook is predominantly based on its interpretation of what it considers to be the key economic factors affecting this business. Forward-looking statements with regard to the Group's business involve a number of important factors that are subject to change, including: the many interrelated factors that affect consumer confidence and worldwide demand for durable goods; general economic conditions in the Group's markets; actions of competitors; commodity prices; interest rates and currency exchange rates; political and civil unrest; and other risks and uncertainties.

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